

Minutes of the Town of Foxborough Audit Committee Meeting

The meeting was held September 9th, 2008, at 8:30 AM in the Selectmen's meeting room at the Foxborough Town Hall.

In Attendance:

Voting Members: Bill Fox, Charles McAlister, Frank Souza, Brian Walton
Non-Voting Ex-officio Members: Andrew Gala, Christopher Martes, Randy Scollins

Not In Attendance:

Voting Member: Al Truax (deceased)

Guests: Robert Brown, Partner R.E. Brown & Company, Peter Paliulis CPA with R.E. Brown

The meeting was called to order at 8:30 AM.

The meeting minutes from the Audit Committee meeting held on June 26th, 2007, were reviewed. Charlie made a motion to accept, Bill seconded the motion and they were accepted by a vote of 4-0-0.

Randy gave a high level summary of the FYE 2007 audited statements as follows:

- The Town received a clean opinion from R.E. Brown & Company.
- Net Assets of the Town exceeded liabilities by \$62.2M, a \$3.4M, or 5.8%, improvement over the prior year.
- Net Assets for Governmental Activities are \$55M, a \$2.7M, or 5.2%, improvement
 - The primary drivers of this increase were:
 - A \$1.4M increase in Net Capital Assets; and
 - The remainder of a \$1.3M increase was comprised of multiple changes.
- Net Assets for Business Type Activities are \$7.2M, a \$721K, or 11.1%, improvement.
 - The primary driver of this increase was almost entirely due to increases in Net Capital Asset accounts
- Total cost of all Town services in FY '07 was \$57.1M. This is up \$3.2M, or 5.7%, from FY '06.
 - \$53.7M is associated with Governmental services, which is up \$3.36M
 - \$3.4M is associated with Business Type activities, which is down \$119K
- Total bonded debt increased by a net of \$2.7M, or 10.5%, to \$28.8M.
 - The change was comprised of:
 - New long term debt issued in FY '07 for the Joint Public Safety Building totaling \$4.515 million.
 - The remainder of the change in outstanding debt was a total of \$1.78 million in scheduled principal repayments.

Committee members had several questions about various aspects of the statements. All questions were answered to the satisfaction of the members.

Bob & Randy reviewed the FY 2007 Management Letter items as follows:

- The Town does not have a complete disaster recovery plan for financial operations. The Town has begun to address this as it is implementing its new financial software package. The Joint Public Safety Building has been identified as the back-up site and steps are being taken to have the back-up system functioning from that site.
- Control logs for reserves and abatements should be kept by the Assessor's office in order to allow for a reconciliation process with the general ledger. The Assessing office has maintained a log of all abatements and exemptions all along. They have recently added the step of including the opening balances in the reserve accounts in order to allow them to reconcile back to the financial system balances.
- Future Changes in Law & Accounting Standards, i.e., reporting of other post employment benefits (OPEB), are fully understood by Town management and plans are in place to address them as

required. The first health costs actuarial study is funded in the FY '09 budget and will be completed for inclusion in the FY '09 statements, as per GASB 45 requirements.

Bill, supported by Charlie, raised the question of how the increasing costs of health care, including the soon to be recognized long-term liability, can be factored into union collective bargaining. Chris and Andy discussed that it is beginning to become part of the discussion already. In addition, ongoing efforts with the Insurance Advisory Committee, a committee designed to include representatives from all Town/School employee unions and non-unions, is serving to educate union and non-union employees alike as to what drives health insurance costs and what the pros and cons of various health insurance options may be. Randy stated that it is a very difficult issue with no easy answers and many competing interests such as employee wages, employee share of costs, Town funding challenges and long-term health insurance liability costs. However, the issue is being focused on through the Insurance Advisory Committee.

Brian asked if the GASB 45 disclosure in FY '09 is likely to affect the Town's bond rating. Randy explained that it probably would over the longer term if the Town's management of the liability compared unfavorably to other towns.

Frank asked about the status of the High School renovation project and if we would be funded by the MSBA. Chris explained that the project is on the MSBA's short list, but with the new MSBA process multiple steps need to be completed before the MSBA will finally agree to fund a portion of the project. Chris anticipated that the school department would be preparing something for the spring 2009 town meeting regarding this project.

Bill asked if the Audit Committee should be submitting recommendations to the Town, as per the Town Audit Committee By-Laws, in addition to the annual audit and accounting report submitted by the Town Accountant. Randy stated that he welcomed any suggestions by committee members regarding any recommendations the Committee would like to make now or at a later date. Randy reviewed a prior recommendation made by the Committee regarding the funding of a department operational audit. Four years ago the Committee recommended, and Town Meeting appropriated, \$5,000 to be set aside in a fund for a departmental audit. The recommendation was that more money would be added over time until enough money had been set aside to conduct an operational audit of a department. Andy estimated that such a departmental operation audit would likely cost around \$20,000. No action was taken to recommend additional funding for this purpose.

The federal grants audit document was reviewed by Bob. He stated that there were no issues with the required federal grant audit and that the report had been properly filed with the federal government.

The timing of the FY 2008 audit was discussed. Randy stated that he expected to have statements for audit review by mid-October. Due to the ongoing implementation of the new financials system, this is about five to six weeks later than usual. Bob stated that the audit team would be available to begin field work, as always, as soon as Randy indicated that he was ready.

It was discussed that there is still a vacancy on the Committee. Andy stated that he would ask the Board of Selectmen to ask for a volunteer to be appointed. Members were also encouraged to attempt to identify possible candidates

Charlie motioned to adjourn the meeting, Frank seconded, and the meeting was adjourned at 10:00 AM by a vote of 4-0-0.

Meeting minutes accepted on 07/28/09 by a vote of: 3-0-1